

**Arawak Energy Corporation**  
(formerly A&B Geoscience Corporation)

Quarterly report to shareholders  
for the six months ended 30th June, 2003

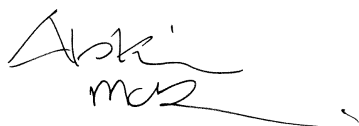
**BC FORM 51-901F (previously Form 61)**  
**Quarterly Report**

**ISSUER DETAILS**

NAME OF ISSUER	Arawak Energy Corporation (formerly A&B Geoscience Corporation)
HEAD OFFICE ADDRESS	PO Box 294, Heywood House Anguilla British West Indies
CONTACT ADDRESS	Bowater House East, Fourth Floor 68 Knightsbridge London, SW1X 7LT United Kingdom
TELEPHONE NUMBER*	+44 20 7973 4285 (*Issuer and Contact Person)
FAX NUMBER*	+44 20 7589 7235
E-MAIL ADDRESS*	alastair.mcbain@arawakenergy.com
WEBSITE ADDRESS	www.arawakenergy.com
CONTACT PERSON	Alastair D. McBain
CONTACT'S POSITION	President and Chief Executive Officer
DATE OF REPORT	20th August, 2003
FOR QUARTER ENDED	30th June, 2003
CURRENCY	U.S. Dollars

**CERTIFICATE**

The three schedules required to complete this Report are attached and the disclosure therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.



Alastair D. McBain  
20th August, 2003



Roland J. Favre  
20th August, 2003

## SCHEDULE 'A' - FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEETS

(Expressed in US Dollars)  
 Unaudited - prepared by management

	30th June, 2003	31st Dec, 2002
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	1,063,908	1,479,702
Accounts receivable and prepayments	2,195,298	2,281,110
	3,259,206	3,760,812
<b>Fixed</b>		
Fixed assets	22,041	
Investments	525,063	525,063
	3,806,310	4,285,875
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	449,000	380,813
	449,000	380,813
<b>Shareholders' equity</b>		
Capital stock	16,662,115	16,660,006
Deficit	(13,304,805)	(12,754,944)
	3,357,310	3,905,062
	3,806,310	4,285,875

The accompanying notes are an integral part of these consolidated financial statements.

**SCHEDULE 'A' - FINANCIAL STATEMENTS (continued)****CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

Three and six months ended 30th June, 2003 and 30th June, 2002 (Expressed in US Dollars)  
 Unaudited - prepared by management

	3 Months to 30th June, 2003	6 Months to 30th June, 2003	3 Months to 30th June, 2002	6 Months to 30th June, 2002
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Amortisation	498	498	1,566	1,801
Office and miscellaneous	24,920	35,721	15,960	20,281
Professional fees	176,048	277,038	4,856	144,999
Rent	8,550	23,718	4,710	10,546
Transfer agent and filing fees	8,593	12,767	4,236	8,275
Donations	1,644	1,644	-	-
Travel	39,347	43,232	22,089	44,644
Wages	101,385	180,803	81,791	156,651
	(360,985)	(575,421)	(135,208)	(387,197)
Gain on deemed disposal of interest in subsidiary	-	-	-	24,963
Foreign exchange gain (loss)	2,256	(4,377)	(2,031)	6,069
Net interest and other income	27,490	29,937	(422)	(1,281)
Loss from continuing operations	(331,239)	(549,861)	(137,661)	(357,446)
Loss from discontinued operations	-	-	(7,097)	(8,077)
Loss for the period	(331,239)	(549,861)	(144,758)	(365,523)
Deficit, beginning of period	(12,973,566)	(12,754,944)	(11,854,909)	(11,634,144)
Deficit, end of period	(13,304,805)	(13,304,805)	(11,999,667)	(11,999,667)
Loss per share from continuing operations	(0.005)	(0.008)	(0.003)	(0.007)
Loss per share from discontinued operations	-	-	-	-
Loss per share	(0.005)	(0.008)	(0.003)	(0.007)
Weighted average number of shares outstanding	71,951,393	71,948,989	55,361,970	49,840,356

The accompanying notes are an integral part of these consolidated financial statements.

**SCHEDULE 'A' - FINANCIAL STATEMENTS (continued)****CONSOLIDATED STATEMENTS OF CASH FLOWS**

Three and six months ended 30th June, 2003 and 30th June, 2002 (Expressed in US Dollars)  
Unaudited - prepared by management

	3 Months to 30th June, 2003	6 Months to 30th June, 2003	3 Months to 30th June, 2002	6 Months to 30th June, 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss from continuing operations	(331,239)	(549,861)	(137,661)	(357,446)
Items not affecting cash				
Amortisation	498	498	1,566	1,801
Treasury shares received	-	-	(27,829)	(27,829)
Gain on deemed disposal of interest in subsidiary	-	-	-	(24,963)
Changes in non-cash working capital items				
(Increase) decrease in accounts receivable	(6,016)	85,812	862,510	815,838
Increase (decrease) in accounts payable	18,663	68,187	(917,151)	903,673
Cash (used in) provided by operating activities	(318,094)	(395,364)	(218,565)	1,311,074
Cash used in discontinued operations	-	-	(7,097)	(8,077)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital stock issued and subscriptions received	2,109	2,109	872,441	1,878,566
Cash provided by financing activities	2,109	2,109	872,441	1,878,566
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of capital assets	(22,539)	(22,539)	-	-
Disposal of interest in subsidiaries	-	-	-	(543,535)
Oil and gas property costs	-	-	(3,504)	(1,551,199)
Cash used in investing activities	(22,539)	(22,539)	(3,504)	(2,094,734)
<b>Net change in cash and equivalents during period</b>	<b>(338,524)</b>	<b>(415,794)</b>	<b>643,275</b>	<b>1,086,829</b>
<b>Cash and equivalents, beginning of period</b>	<b>1,402,432</b>	<b>1,479,702</b>	<b>533,683</b>	<b>90,129</b>
<b>Cash and equivalents, end of period</b>	<b>1,063,908</b>	<b>1,063,908</b>	<b>1,176,958</b>	<b>1,176,958</b>

The accompanying notes are an integral part of these consolidated financial statements.

**SCHEDULE 'A' - FINANCIAL STATEMENTS (continued)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Three and six months ended 30th June, 2003 (Expressed in US Dollars)  
Unaudited - prepared by management

**1. BASIS OF PRESENTATION**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Commonwealth Oil & Gas Company Limited (also incorporated under the laws of Anguilla, British West Indies) and Addison & Baxter Limited (incorporated under the laws of the United Kingdom). Significant inter-company balances and transactions are eliminated on consolidation.

On 28th March, 2002, Commonwealth Gobustan Limited ("CGL") issued common shares totaling 62.83% of its issued and outstanding capital stock to Rosco S.A.. The Company's interest in CGL was diluted so that the Company now has a 37.17% interest in CGL and an indirect 37.17% interest in Gobustan Operating Company Ltd. ("GOCL"). An affiliate of the State Oil Company of the Azerbaijan Republic ("SOCAR") holds a 20% carried interest in the Exploration, Development and Production Sharing Agreement for the Southwest Gobustan oil and gas fields in the Azerbaijan Republic ("EDPSA"). CGL holds the remaining 80% interest, which means the Company's interest in the EDPSA is now 29.74%. Subsequent to the share issue CGL and GOCL have been deconsolidated and are now treated as associated companies in these financial statements. As a result the carrying value of oil and gas property costs as at 28th March, 2002 have been deconsolidated.

The consolidated statement of cash flows in the comparative period includes the movements in cash of CGL and GOCL during the period from 1st January, 2002 to 28th March, 2002. After deconsolidation of both of these companies' assets and liabilities, all group cash movements relate specifically to Arawak Energy Corporation, Commonwealth Oil & Gas Company Limited and Addison & Baxter Limited.

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to represent a fair statement of the results of the interim periods presented.

**2. NATURE OF OPERATIONS**

The Company's principal business activity is exploring and developing oil and gas properties.

**3. SEGMENTED INFORMATION**

The Company operates in one industry segment, the exploration and development of oil and gas properties.

## SCHEDULE 'B' – SUPPLEMENTARY INFORMATION

(Expressed in US Dollars)

### 1. Oil and Gas Properties

During the three and six months ended 30th June, 2003, and as at 31st December, 2002, the Company capitalised no exploration and development costs.

### 2. Associated Companies

Commonwealth Oil & Gas Company Limited held a 37.17% interest in Commonwealth Gobustan Limited ("CGL") with effect from 28th March, 2002. CGL held a 100% interest in Gobustan Operating Company Ltd. ("GOCL") with effect from 28th March, 2002.

The summarised operating results of these associated companies during the three months ended 30th June, 2003 were as follows:

	CGL	GOCL
Turnover	-	-
Profit for the period	-	-

The summarised balance sheets as at 30th June, 2003 were as follows:

	CGL	GOCL
Capital assets, investments and oil and gas properties	3,928,259	10,540,922
Current assets	12,847,273	4,614,262
	16,775,532	15,155,184
Current liabilities	15,362,932	12,981,888
Shareholders' equity	1,412,600	2,173,296
	16,775,532	15,155,184

### 3. Professional Fees

During the three and six months ended 30th June, 2003, the following was paid as professional fees:

	3 Months to 30th June, 2003	6 Months to 30th June, 2003
Audit	12,627	28,102
Legal	81,605	103,141
Directors' consultancy	62,500	125,000
Other	19,316	20,795

**SCHEDULE 'B' – SUPPLEMENTARY INFORMATION (continued)**

(Expressed in US Dollars)

**4. Expenditures to Parties not at Arm's Length**

During the three and six months ended 30th June, 2003, the following was paid or accrued in respect of salaries and travel expenses to executive officers:

	3 Months to 30th June, 2003	6 Months to 30th June, 2003
Salaries	114,140	225,140
Travel expenses	20,369	21,161

**5. Securities Issued and Options Granted**

- (a) On 21st January, 2003, options to acquire an aggregate of 1,800,000 common shares at CDN\$0.22 per share were granted to directors, officers, and consultants.
- (b) On 13th May, 2003, the treasury shares held by the Company were cancelled.
- (c) On 9th June, 2003, 20,000 new common shares were issued for a total cash consideration of CDN\$3,200 (equivalent to US\$2,109).

**6. Authorised and Issued Share Capital**

As at 30th June, 2003, the share capital consisted of the following:

Authorised:	unlimited common shares, without par value
Issued and Outstanding	Amount
71,966,558	16,662,115

## **SCHEDULE 'B' – SUPPLEMENTARY INFORMATION (continued)**

(Expressed in US Dollars)

### **7. Options, Warrants and Convertible Securities**

On 5th May, 2003, a new incentive stock option plan as described in the information circular issued with the Notice of Annual and Special Meeting of Shareholders was adopted, with such modifications as the President and Chief Financial Officer may deem appropriate.

As at 30th June, 2003, options were outstanding to purchase an aggregate of 1,060,000 common shares at an exercise price of CDN\$0.16 each at any time up to 21st June, 2004, and an aggregate of 1,800,000 common shares at an exercise price of CDN\$0.22.

As at 30th June, 2003, 1,296,050 share purchase warrants were outstanding and exercisable at CDN\$0.50 per share to 12th October, 2003.

### **8. Shares in Escrow or Subject to a Pooling Agreement**

As at 30th June, 2003, there were no shares in escrow or subject to a pooling agreement.

### **9. Directors**

As at 30th June, 2003, the following were directors:

James H. Coleman

Donald R. Curtis

Roland J. Favre

Malcolm C. Hope-Ross

Jeremy C.A. Little

Alastair D. McBain

## SCHEDULE 'C' – MANAGEMENT DISCUSSION AND ANALYSIS

(Expressed in U.S. Dollars)

### 1. Description of Business

Arawak Energy Corporation (the "Company") explores and develops oil and gas properties. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "ABG".

The Company and its active subsidiaries are incorporated in Anguilla, British West Indies, except for Addison & Baxter Limited, which is incorporated in the United Kingdom. The Company also has eight inactive subsidiaries, the businesses of which were discontinued in past fiscal years. As detailed in the Company's last four Annual Reports, the assets and liabilities of these subsidiaries are not consolidated in the Company's financial statements. Since the last quarterly report, three of these subsidiaries have been dissolved, and three have ceased trading and are in the process of being dissolved. The remaining two are in various stages of being wound up or liquidated.

### 2. Discussion of Operations and Financial Condition

Accounts receivable decreased from \$2,281,110 as at 31st December, 2002 to \$2,195,298 as at 30th June, 2003 as a result of the repayment of an intercompany loan by Gobustan Operating Company Ltd..

Investments of \$525,063 represent the Company's share of the net assets of its associated companies Commonwealth Gobustan Limited ("CGL") and Gobustan Operating Company Ltd. ("GOCL").

Accounts payable and accrued liabilities increased from \$380,813 as at 31st December, 2002 to \$449,000 as at 30th June, 2003 due to an accrued amount for officers' salaries as yet unpaid.

An analysis of professional fees is set out in Note 3 to Schedule "B".

An analysis of transactions with related parties is set out in Note 4 to Schedule "B".

The Company is not party to any legal proceedings. The Company is not in default under any debt or other contractual obligations. The Company is not in breach of any corporate, securities or other laws or of its listings agreement with the TSX Venture Exchange.

The Company has no pending material transactions which would require regulatory approval.

In the six months ended 30th June, 2003, there was a change in executive directors. At the Annual and Special Meeting on 5th May, 2003, Mr James H. Coleman was appointed as director and Company Secretary. Nicholas Baxter and Graham Crabtree were not re-appointed, although Mr Baxter remains a director of Addison & Baxter Limited, CGL, and GOCL.

## SCHEDULE 'C' – MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(Expressed in U.S. Dollars)

On 23rd April, 2003, the appointment of Mr Xin Junhe as President of CGL was announced. Mr John Scott, the previous President, has joined the Board of Directors of CGL and will remain actively involved in Baku, Azerbaijan Republic as General Manager of Commonwealth Oil & Gas Company Limited.

Investor relations is currently managed internally. Shareholders and prospective investors who wish to receive news releases and corporate information from the Company should e-mail their contact details to [info@arawakenergy.com](mailto:info@arawakenergy.com) for inclusion in the Company's investor relations database. News releases and corporate information are also available via the Company's website at [www.arawakenergy.com](http://www.arawakenergy.com).

At the Annual and Special Meeting on 5th May, 2003, shareholders approved a special resolution to increase the authorised capital of the company from 100,000,000 common shares to an unlimited number of common shares.

Also at the Annual and Special Meeting on 5th May, 2003, shareholders approved a special resolution enabling the name of the Company to be changed to Arawak Energy Corporation or such other name as the Board of Directors may approve.

### 3. Material Events since the Latest Fiscal Year End

#### (a) Events in First Quarter 2003

On 21st January, 2003, options to acquire an aggregate of 1,800,000 common shares at CDN\$0.22 per share were granted to directors, officers and consultants.

On 28th January, 2003, it was announced that Rosco S.A. ("Rosco") sold its 62.83% interest in Commonwealth Gobustan Limited to two affiliates of China National Petroleum Corporation ("CNPC"). CNPC will also take over Rosco's commitment to provide a \$20 million non-recourse development loan and continue the obligation to carry the Company through to the completion of the Minimum Obligatory Work Program ("MOWP").

In the first quarter of 2003, the Company's UK administration office was moved from Milton Keynes to Bowater House East, Fourth Floor, 68 Knightsbridge, London, SW1X 7LT, United Kingdom.

On 18th March, 2003, CGL announced the spudding of its first development well in connection with the EDPSA. The new well, which is being drilled in the Dashgil field and has oil as its primary objective, was started on 12th March, 2003. This represented a significant milestone as it marked the commencement of development drilling operations under the EDPSA. The location of the second well, which was also being drilled in the Dashgil field, had already been determined and work related to obtaining permits had begun. Under the terms of the MOWP in the EDPSA, CGL is obliged to complete 6 development wells and an exploration well by 27th November, 2003.

**SCHEDULE 'C' – MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

(Expressed in U.S. Dollars)

CGL also announced that three workovers had been completed in the Duvanny field, three in the Solokhay field and one in the Dashgil field. A fourth workover in the Duvanny field was then under way. This was to be followed by a second workover in the Dashgil field which would then result in completion of the MOWP obligation with respect to workovers.

At the time of CGL's announcement, the remaining MOWP obligation, being the shooting of new 2D seismic, was already under way. The 2D seismic survey was taking place in the northernmost of the three blocks which comprise the South-West Gobustan contract area, where no previous seismic data was available despite the existence of numerous old oil and gas discovery wells. It was expected that the result of the survey would reveal locations for new development and exploration wells.

**(b) Events in Second Quarter 2003**

On 23rd April, 2003, the appointment of Mr Xin Junhe as President of CGL was announced. Mr Xin's appointment followed the acquisition of an aggregate of 62.83% interest in CGL by members of CNPC group of companies. Mr John Scott, the previous President, has joined the board of directors of CGL and will remain actively involved in Baku, Azerbaijan Republic as General Manager of Commonwealth Oil & Gas Company Limited.

The Company's Annual General Meeting was held on 5th May, 2003 in Anguilla, British West Indies, which is the Company's jurisdiction of incorporation. Six shareholders were present in person and a further twenty shareholders were present by proxy together holding an aggregate of 41,612,988 common shares of the Company. This represents 57.4% of the 72,491,908 issued and outstanding common shares at the record date, 5th April, 2003. No request was made for a count of proxies and all resolutions were passed by a show of hands. The following resolutions were approved by shareholders:

- (1) The report of the directors as set out in the 2002 Annual Report was approved as presented;
- (2) The audited financial statements of the Company for the year ended 31st December, 2002 and the auditors' report thereon were approved;
- (3) The board of directors was decreased from seven to six;
- (4) James H. Coleman, Donald R. Curtis, Roland J. Favre, Malcolm C. Hope-Ross, Jeremy C.A. Little and Alastair D. McBain were elected as directors;
- (5) Ernst & Young LLP were appointed auditors of the Company at a remuneration to be determined by the board of directors;
- (6) A new incentive stock option plan was adopted with such modifications as the President and Chief Financial Officer may deem appropriate;
- (7) A special resolution was passed to increase the authorised capital of the Company from 100,000,000 common shares to an unlimited number of common shares; and
- (8) A special resolution was passed enabling the name of the Company to be changed to Arawak Energy Corporation or such other name as the Board of Directors may approve.

## SCHEDULE 'C' – MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(Expressed in U.S. Dollars)

On 8th May, 2003, results were disclosed of the workover well Duvanny 77, which has been completed as a gas producer. Tests have confirmed stable production of 15,000 cubic metres of natural gas per day. Together with Duvanny 70, a nearby well which was worked over earlier and which has also been retested, this provides a natural gas deliverability of close to 30,000 cubic metres (one million cubic feet) per day. CGL will seek natural gas sales contracts. The Azerbaijan Republic is a net importer of natural gas and it is expected that the gas will therefore be sold domestically. The service rig has been relocated to perform a workover in Dashgil field.

On 13th May, 2003 the 545,350 treasury shares held by the Company were cancelled, after which there were 71,946,558 common shares issued and outstanding.

On 16th May, 2003, GOCL awarded tenders for a 2,500m drilling rig and an advanced technology service rig. Eight companies were invited to participate in the tender and the tender was awarded to the China based drilling company, Great Wall Drilling.

The new drilling rig will supplement the existing rig, enabling the Company to undertake a two rig program to facilitate timely completion of the MOWP. The Company's first development well, Dashgil 91, is close to completion and the rig will then move on to drill the second development well, Dashgil 92.

The new service rig will supplement the existing service rig for deep and more complicated completion and workover activities. The new service rig is also equipped to drill shallow wells (less than 1,000m) and will be used for re-entering and side tracking existing infield wells. The service rig now in place is currently working over Dashgil well 71, which is the last well required to complete the MOWP.

On 16th June, 2003, the Company announced a change of name to Arawak Energy Corporation, with immediate effect, reflecting a change of focus of the Company's activities to the oil and gas business. The stock ticker symbol 'ABG' remains unchanged for the quotation of the Company's shares, which are listed on the TSX Venture Exchange in Canada.

On 19th June, 2003, the Company announced that GOCL had completed its first development well. The well was drilled in Dashgil field and was perforated on 14th June 2003. Following clean up, a stable oil flow of 300 barrels per day had been established through a 4mm choke over a 24 hour period, with no water and a small amount of associated gas (a gas to oil ratio of 970 cu. ft per barrel). The well was to undergo further testing prior to being put on production.

The acquisition phase of the 2D seismic program over the northernmost block of the three blocks which comprise the Southwest Gobustan concession area was also completed that week, thereby fulfilling the MOWP obligation with respect to seismic. GOCL has also completed its MOWP obligations with respect to workovers.

## SCHEDULE 'C' – MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(Expressed in U.S. Dollars)

### (c) Subsequent Events

On 16th July, 2003, it was announced that the Company finalised the terms of the proposed rights offering ("Offering") and engaged Peters & Co. Limited to act as soliciting dealer in connection with the offering.

The Company will be offering to eligible holders of its outstanding common shares of record at close of business on 24th July, 2003 (the "Record Date") rights ("Rights") to subscribe for additional common shares on the terms set forth in a rights offering circular (the "Circular") to be mailed by the Company to shareholders. The Circular will also be available on SEDAR. Each such holder will receive one Right for each common share held on the Record Date. Four Rights will entitle the holder to purchase one common share of the Company at a price of CDN\$0.50. The TSX Venture Exchange has approved the Rights for trading effective at the opening of the market on 22nd July, 2003 and has listed the common shares issuable on exercise of the Rights. The Rights will expire on 18th August, 2003. Shareholders who exercise all of their Rights will also be entitled to acquire additional shares pursuant to an additional subscription privilege to be provided for under the Offering, the terms of which are described in the Circular.

Rosco S.A., the Company's largest shareholder, has made a stand-by commitment pursuant to which it has agreed to acquire all common shares issuable on the exercise of Rights not acquired by other Rights holders.

The Rights and underlying common shares are not being offered to, and the Rights may not be exercised by, persons who are residents of any jurisdiction other than the Provinces of British Columbia, Alberta and Ontario and certain jurisdictions outside of Canada, but not the United States. Reference is made to the section in the Circular entitled "Ineligible Shareholders".

Gross proceeds of the Offering will be approximately CDN\$9 million. The Company intends to use the proceeds of the Offering (after payment of the expenses of the Offering) to fund oil and gas exploration and development activities in the Azerbaijan Republic and other regions, as well as to pursue other opportunities.

On 30th July, 2003, Gobustan Operating Company Ltd. announced it had spudded its third development well, Duvanny 101, which was being drilled with natural gas as its primary target.

Duvanny 101 was the first well to be drilled with the mobile rig contracted from Great Wall Drilling. GOCL expects to be able to accelerate its drilling program through the use of this mobile rig. Upon completion of Duvanny 101, this rig will be moved to another location on the Duvanny field, which will also have natural gas as its primary target. Following the completion of the second Duvanny development well, the rig will be moved to Adzhiveli field located in the central block of the concession.

The first development well, Dashgil 91 continues to flow on test through various choke sizes. The drilling of Dashgil 92, the second development well, is proceeding and intermediate casing has been set at 1,580 metres.

## **SCHEDULE 'C' – MANAGEMENT DISCUSSION AND ANALYSIS (continued)**

(Expressed in U.S. Dollars)

The Great Wall Drilling service rig is now being assembled and will be used initially to conduct workovers primarily in the Adzhiveli field. Following the completion of the workovers, the service rig will be moved to the Donguzdyg field in the northern block, and will be used to drill one development and one exploration well.

Upon completing the drilling of these wells, GOCL should have completed all outstanding requirements of the minimum obligatory work program.

### **4. Financings, Principal Purposes and Milestones**

The proceeds of the three private placements to Rosco, the proceeds from Rosco's subscription for shares of Commonwealth Gobustan Limited, the retirement by Rosco of Commonwealth's long-term debt and the exercise by Rosco of its warrants, which amount in total to \$7 million, have retired all the Company's long term debt and overdue current liabilities and together with the \$20 million non-recourse development loan to CGL have provided the Company with working capital through to the completion of the MOWP.

### **5. Liquidity and Solvency**

The Company is in a position to meet its ongoing obligations as they become due.

